Sense 68

A Marketing/Communications and Design Publication of Lippincott & Margulies

Advertising: in the eye of a hurricane

A look at advertising by Walter Margulies

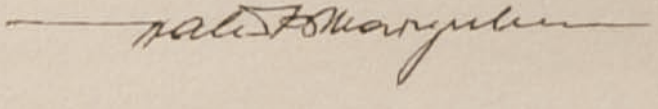
One of the primary functions of *Sense* is to investigate the winds of change that eddy about us, hopefully finding clues that will provide an insight to the problems and opportunities of corporate communications in the years to come.

This issue devotes itself to the vital subject of advertising. In it, we bring together facts and figures as it relates to the continuing viability of this communicative tool. Also our own conclusions and recommendations.

For practical purposes, this issue may be divided into two parts. The first relates to an accumulation of data concerning advertising's effectiveness as a sales medium. In an attempt to be thorough, we present a substantial number of facts (though by no means all) from a variety of sources. If you weary of the statistics or feel convinced they have made their point, move ahead to the second section beginning on page 12 which involves itself with conclusions and recommendations.

There will be some people in the communications industry who will view this issue of *Sense* as a direct threat. This is neither our purpose nor intention. Once again, we are involved in establishing a dialogue on an extremely important subject and we want to encourage you, our readers, to contribute to this essential discussion and debate by sharing your thoughts and experiences with us.

Our hope is to shed a little light on the future marketing function so that in the years to come we can stride rather than stumble.



It all has to do with listening

Advertising and criticism are no strangers to each other. As early as 1710, Joseph Addison applied his barbed pen to the subject and advertising came away very much the loser. In more recent years, the industry has suffered the slings and arrows of a multitude of critics. Among other things, it has been accused of behavior that ranged from moral turpitude to economic insanity.

But amidst all this clamour, advertising has quietly, efficiently and very profitably gone its own way. Its proponents state that almost single-handedly, it is responsible for the massive industrial growth in this country during the past 50 years. Whether one agrees or not, there can be no denying that the industry has grown prodigiously.

From $2.8 billion following World War II, it doubled in size by 1950, doubled again by 1960, and today is standing on the threshold of $20 billion. An enviable record, but well deserved. Advertising proved it could deliver the goods.

But the enthusiasm that once permeated the industry appears to be evaporating. In the complex and shifting sands of the 70's, advertising is still eminently successful. Advertisers continue to spend. Agencies continue to grow. But for the first time, the secure smile that has normally creased the industry's face has turned to a frown. The reason is there for all to see.

A big blow is coming. The impact of its initial winds is already being felt. But what makes this storm particularly dangerous is that it is coming from not one, but two directions.

It all has to do with *listening*.

From government regulatory bodies to consumerism groups, the critics are still there, as cacophonous as ever (and with considerably more muscle). But the important dimension is that *for the first time the public is beginning to listen* and heed their cries.

Which is one direction of the storm.

The other is while gradually becoming alert to supposed advertising wrong-doing, this very same public *appears not to be listening as much to advertising.*

Which is the second and certainly more dangerous direction of the storm from a marketing point of view.

Advertising recall — a downhill slide

The claim that advertising has become less effective, that people simply aren't listening, is not new; it's been around for a number of years. But for the first time, a mass of data has become available that appears to support the contention. Much of it takes the form of advertising recall studies which test a consumer's memory of specific advertised products and brands.

It should be noted that such research should not be considered a precise measurement of consumer response. But at the same time, it can be regarded as an indication of behavioral patterns, especially when compared to a different point of time.

For example, a study conducted by Daniel Starch during the years 1956 through 1968 on the ability of viewers to remember television commercials showed that during this 13-year period, average advertising recall scores have plunged more than 50%.

Along these same lines, two different studies sponsored by *Life* and *Look* magazines demonstrated that in an eight-year period (1962 versus 1969) television commercial recall had slid from an average of some 25% down to 14%. This represents a drop to almost half the original figure. It should be noted that both *Life* and the now defunct *Look* had an understandable animosity to this competitive medium.

It is also reported that a major advertiser who for obvious reasons prefers to remain anonymous experienced a recall drop of 48% during the ten-year period ranging from 1961 to 1970.

It should be made clear that simply because someone cannot remember a commercial does not mean he or she

will not purchase the product advertised. What it does mean, if the research can be considered reliable, is that the effects of saturation advertising in recent years appear to be catching up with marketers.

It is said that the average individual ingests between 10,000 and 20,000 words of printed matter daily. That television and radio provide an additional 20,000 words. As to advertising impressions (all kinds), the number of these that reach the average individual each day is subject to dispute but it would appear to be somewhere between 500 and 1,500.

Probably the most meaningful statistic, however, of the growing communications onslaught is the simple but little known fact that in the past four years alone, the number of prime time (7:30 PM-11:00 PM) television advertising messages *has increased 33%*.

You can't convince people if they're not there.

Little wonder then that another study sponsored by the Grey Advertising agency among all brands showed an average advertising recall drop of 27% *in just three years.*

In relation to the growing weight of advertising, just so no one will feel that television is being discriminated against, the staid and respectable *Wall Street Journal* in recent years has expanded from its once avowed maximum size of 32 pages, first to 36, and most recently to 40. The reason: to accomodate more advertising.

The proliferation of advertising messages appears to be triggering the defense mechanism of *selective perception*. That is, the ability of the individual to mentally block out unwanted or annoying messages.

It appears there is also another way the consumer is registering his disfavor at being inundated with advertising. Namely, to walk away from it whenever possible. This is borne out by another report from Grey Advertising demonstrating the consumer's growing disaffection with the average commercial break. To quote:

"The proliferation of advertising messages appears to be triggering the defense mechanism of *selective perception*."

"A Starch study shows that for every five viewers who were able to identify the correct sponsor, there were another three viewers who *credited a competitor*."

"In early days, between 1961 and 1963, it was normal to lose an average of 15-18 per cent of our audience automatically when the commercials came on. Our latest information indicates that last year, when commercials interrupted the program, an average of *27 per cent of the people had* left their sets before we even got on the air. Sometimes departures ran as high as 50 per cent."

The Grey report then went on to show its true concern with this growing problem:

"No matter how much we pay, or how compelling our commercials, we can't convince people *if they aren't there*."

A Starch survey conducted *by telephone within three hours of broadcast* in early 1970 demonstrated that only 16% of those interviewed could remember the product and correctly identified the sponsor. This by itself is not a very good showing, but in 1971 a companion study was conducted and those able to accurately name the sponsor had fallen to 9.4%. This was a recall drop of well over one-third in the short span of a single year.

This same study, however, highlighted another growing problem that is causing considerable concern in some advertising circles—namely, confusion among consumers as to precisely who is sponsoring what. In other words, the tendency to view a particular commercial and then when queried shortly afterward, identify it as a competitive product.

The Starch study shows that for every five viewers who were able to identify the correct sponsor, there were another three viewers who *credited a competitor*. To be completely accurate—3.4 viewers. These are average scores, a number of individual advertisers fared considerably worse.

To take one example, 6% of those interviewed were able to remember and identity a particular Excedrin commercial. However, *three times as many or 18% misidentified the commercial*. Of those, aproximately 12%—double the amount that named Excedrin—thought it had been a

commercial for Anacin. The remaining 6% had confused it with either Bufferin, Bayer Aspirin or Alka-Seltzer.

Other commercials that fared worse than the average included:

Brand	Correctly Identifying	Misidentifying
Pepto-Bismal	4%	8%
Peter Pan	4%	16%
Woolite	2%	11%
Primatine Mist	0%	10%

Taken together, these various studies may be the first manifestation of the diminishing impact of advertising—one, as previously mentioned, direction of the coming storm. For if an audience is physically absent during a message, obviously the shot has completely missed its mark. If they are present and the message has not registered consciously, there may be a subliminal hope but many would argue this point. And if the message has registered, but imprints incorrectly, this marketing effort would have to be considered counter-productive.
If this is the trend of the future, the blame then should be placed squarely where it belongs—*overkill.*

The credibility gap—crack or chasm?

Another serious side effect of communications overkill—aided by mounting consumer criticism—is the growing lack of credibility on the part of the general public as to the honesty and integrity of most advertising messages. The eventual consequences of such an attitude if allowed to continue could be exceedingly grave for the communications industry.

An in-depth, four-year study (1964-1967) conducted under the auspices of the Harvard Business School showed that 26% of those interviewed believed that advertising was untruthful or exaggerated. Although somewhat out of date as it relates to what appear to be more current attitudes, this research reflects the growing disenchantment of its period.

A more recent survey which was completed in 1969 and conducted by Opinion Research demonstrates a substantially higher degree of dissatisfaction. Some 68% of a nationwide sample felt that new laws would be necessary to help consumers get full value for their money. The most significant aspect of this research was that the response to this particular question had jumped 25% to the same question asked two years earlier in a similar poll.

It also appears that Americans are more cynical about advertising than their European cousins. In a study comparing the U.S. with some 16 Western European countries, consumers were asked to comment on the statement that advertising in general gives a true image of the product. In reply, six out of 10 Americans (59%) disagreed. This compares with the average European score of 45% not agreeing with the statement.

In the same study, some 70% of Americans interviewed believed that advertising usually convinces the public to buy products it does not need. Average European score for the same question was 58%.

Of particular significance and perhaps more ominious are the findings of a 1971 survey sponsored by the *Harvard Business Review* probing the attitudes of business executives toward advertising. Some 60% of these decision-makers agreed that advertising does not present a true picture of the product advertised. This is more than one-third higher (38%) to a similar study conducted by the magazine 10 years prior.

Other findings from the 1971 research show:

*42% of the executives interviewed believe the public's faith in advertising is at an all time low. This compares to 28% in 1962.

*A substantial 85% are of the opinion that advertising often persuades people to buy things they don't *need*.

*And 51% believe advertising often persuades the people to buy things they don't *want*.

*90% say that advertisers should be forced to substantiate their advertising claims.

If all this information were to be taken at face value, more than likely the first conclusion arrived at would be that advertising in recent years has become flagrantly deceptive. Which is simply not true as any objective analysis would show. If anything, the overall integrity of the industry has probably improved.

No, it is not advertising that has changed so much (except in quantity) but the consumer's response to it. Which appears to leave the average marketer with two courses of possible action. Either somehow change the consumer's attitude, or failing this, accommodate one's communicative approach to the new ethic.

Combining legislation, regulation and vituperation

An even more deadly direction of the growing storm is that streaming from government centers and consumerism groups. Rolling forward in a three-pronged attack that combines legislation, regulation and vituperation, a number of major U.S. corporations are being given "what for" as it relates to product and communicative grievances. And there is little doubt that the target list will be considerably expanded as time goes on.

A number of industries have felt the sting of attack including breakfast cereals, drugs, meat packaging and of course the first on the firing line, automotive. Many of the grievances are quite real and need correction. Some are not. And others are simply confusing.

Consider that ITT's Continental Baking in direct response to a government recommendation enriched its Hostess Snack Cakes with additional vitamins and in doing so was praised by nutritionists outside the company. Shortly afterward, it was taken to task by the Federal Trade Commission for making what was referred to as deceptive nutritional claims.

ITT as of late has taken more than its share of brickbats, but the aforementioned indignity, compliments of the FTC, certainly oversteps the bounds of common sense.

Continental too was the first major advertiser that agreed to "corrective" advertising for its Profile bread. After the required one year in which 25% of all advertising was of the "corrective" type, *Advertising Age* reports that, "Profile sales have suffered tremendously." How much was to the commercials and how much to adverse publicity cannot be accurately determined. Yet it makes one wonder if "punishment" is really what the government has in mind.

Humor too can be a dangerous thing. Government criticism was directed at General Mills for its Wheaties television commercials of last year featuring sport celebrities such as Willis Reed, Johnny Bench and Jon Stenerud. In an obvious "put on" that even a five year old would recognize, each star is shown making numerous errors in his particular sport and then it is whimsically suggested that the reason is because they didn't have their Wheaties that morning. Obviously, the FTC is not very big on whimsy. At any rate, the commercials are no longer running, for whatever reason.

And the pressure continues to mount. Consumerism groups are substantially more militant. The regulatory agencies have more money, more personnel and considerably more zeal. Many of the country's largest and more prestigious corporations have been cited for deceptive advertising including Firestone, Procter & Gamble, Union Carbide, Pfizer, Swift, ITT, General Foods and of course DuPont and its now famous Zerex anti-freeze commercial which the FTC reacted to by firing first and asking questions later. Each question it was finally determined had a satisfactory answer, but the damage had already been done.

Legislation now pending would require that all advertisers make documentation of ad claims on request. At the same time, the demand increases for admissible-in-court evidence to be presented *before* any advertisement could be shown to the public.

In addition, considerable pressure is being exerted to force advertising to state every possible defect a product might have, warn of all health hazards no matter how remote; list every ingredient and at the same time disclose

the complete formula and process of manufacture no matter how confidential; and as it would relate to food, display a prominent statement to the effect that for proper nutrition and health one must eat a variety of foods rather then rely on the product being advertised.

But most ominious of all is the growing pressure by the FTC to restrict advertising that stresses qualities of a brand that are not unique without stating that other brands have the same qualities. Thus, you could not say your bread is "fresh" unless you also mentioned that other competitive brands are also "fresh." What this would do to the marketing efforts of products basically similar in nature such as gasolines, soaps and many food categories goes without saying.

And there is also a faint but growing rustle of opinion that states that regulatory agencies should not only be concerned with the quality and content of advertising, but its *quantity* as well. To what extent this will be carried is anyone's guess.

The effect this all could have on advertising's continued viability could be considerable.

As distinctiveness erodes, so too will purchasing patterns

Does this then mean that advertising as an industry is going to melt away in a maze of government regulations and consumer distain? Hardly! As a marketing tool, its power is still substantial and will remain so in the forseeable future. One has only to look at its potency in the introduction of new products to realize that its communicative cutting edge is still quite sharp.

At the same time, a long penetrating look should be given those areas where the underpinnings of the marketing structure have been weakened. What of course immediately comes to mind as the most vulnerable are those product or service categories in which there is little meaningful difference between brands.

If the opportunity to communicatively differentiate one's product through advertising is taken away—and this appears to be the trend—coupled with a growing confusion,

disinterest and distrust of advertising on the part of the general public, then the ability to maintain a distinctive product "position" will become exceedingly difficult. And as distinctiveness erodes, so too will purchasing patterns.

Consequently, if the storm from two directions continues to build in force—and there is no reason to believe that it won't—a substantial number of marketers are in for some very rough times.

The communicative tail wagging the corporate dog

It would appear that advertising's past strength is now the cause of its present and future weakness. Specifically, the tendency of many marketers to depend on it to the almost total exclusion of other communicative channels.

It has been the belief of Lippincott & Margulies for a number of years—a theory now coming to fruition—that heavy dependency on a single communicative channel is a very risky business. Nothing remains unchanged, and to be positive that advertising will be as viable a tool tomorrow as it was yesterday, is like betting your life savings on kerosene futures before the advent of the electric light.

Even more serious, advertising too often has become almost an isolated end in itself, a tool to advance the careers of marketing executives concerned with it. Thus, we see brand and product managers, agency personnel and the like, all understandably immersed in the sales success of their particular product or service (which of course correlates with their own success), using advertising as the hammer to pound the message home, yet at the same time with little real understanding or concern of this communication's overall impact on the parent corporation.

At Lippincott & Margulies, we have been involved in a number of client relationships where it was shown that a "successful" product advertising campaign worked to the detriment of the corporation's overall image.

As a communicative tool, advertising obviously cannot be ignored. In fact, as its effectiveness diminishes, the need will probably exist to increase expenditures to maintain the status quo. Yet, as a marketing tool, it should be relegated

to its proper slot, and kept there. Too often, this communicative tail has wagged the corporate dog.

One unfortunate example of this tail wagging a number of corporate dogs is the recent public retraction of product advertising claims forced on some 15 major pharmaceutical houses by the FDA.

The need exists for companies today to structure what might be called a *communicative overview*. That is, the development of a powerful corporate awareness of all its communications which is supported by the company's basic philosophy of operation and a carefully thought out and articulated corporate strategy. This overview would take in *all* communicative channels—such as, public relations, merchandising, packaging, new product development, selling and working environments, sales promotion, corporate design, any contact with customers or prospects be it conscious or subliminal—to insure that the company's overall best interests are being served. And best interest would not necessarily be equated with short-term objectives, but as it relates to long-range corporate viability.

The communicative channel occupied by advertising would still be an important one, but strictly controlled. In all instances it would have to meet the test: Is this the best approach for the company? Not the product, or brand line, or division, or subsidiary, or career of the executive in charge, but the *company!*

And so there is no confusion, this *overview* should be aside and apart from purely legal considerations, which approach the problem quite differently.

A communicative overview emanating from the policy level of management would of course encompass all other channels of communications setting the guidelines to be followed. In addition to protecting the company's overall interests, this control factor would be responsible for the complete coordination of all communicative efforts to maximize total impact. It would also set priorities that might well result in a more balanced communicative effort.

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"The need exists for companies today to structure a *communicative overview*."

Strengthening other communicative channels

The communicative channels available to the average marketer are many, but unfortunately most have been allowed to atrophy. With the decreasing effectiveness of advertising, however, those that allow this trend to continue may in time find themselves behind the marketing eight ball.

In our work for American Motors several years back when the company was attempting a turnaround, advertising was an important part of the total communications program but it was not allowed to dominate the marketing stance. Following the development of a marketing strategy which carefully "positioned" American Motors in its challenge to the Big 3, substantial time and monies were invested in special sales and dealer promotions plus a new company-sponsored racing program to generate added interest among younger auto enthusiasts.

Special attention was also focused on the vital selling environment and Lippincott & Margulies was given the assignment to create a look for dealer showrooms that would make a strong statement about the company's new character and the products it sells. The end result has been highly successful—a clean, functional environmental system, economical to implement and maintain, and flexible enough to be adapted to a variety of architectural styles.

As 1972 comes to a close, American Motors with its balanced communicative approach is registering one of its most successful years in its history.

Certainly no stranger to advertising, The Coca-Cola Company approached Lippincott & Margulies to structure a brand communications strategy for its major product, Coke. The solution involved unifying all the individual communicative elements of Coca-Cola into one powerful system of brand identification. This program is still being implemented in all promotion materials and point-of-purchase displays. The P-O-P implementation worldwide—including all signage, displays, dispensers, rolling stock and the like—is probably the most massive program of its kind ever undertaken.

And Coca-Cola with its new identity and communicative stance is once again pulling away from its soft drink competitors.

Even when a massive advertising effort is involved, sufficient attention is often not paid to adjacent areas such as packaging, brand name development and overall product positioning. An example of what can happen when special attention is given these vital areas occurred when Nestle came to Lippincott & Margulies in 1965 for help in developing an effective marketing strategy for a new freeze-dried coffee.

Competing with the Maxwell House division of General Foods already in the market with Maxim, it was recommended that Nestle's freeze-dried be positioned as an entirely new product, but tasting like fresh roasted coffee. After considerable research, the unusual name Taster's Choice was selected and a unique package created with a masculine aura designed to attract women shoppers. Nestle began test marketing, its advertising always conforming to the chosen communicative stance, and the rest is history.

Starting in 1966, Taster's Choice year by year gradually eroded Maxim's lead until in 1971 it finally emerged in first place. It has continued to gain since that time and currently has almost double the market share of Maxim. It is also interesting to note that during the five year period, 1966 to 1970, Maxim spent $5,000,000 more on advertising than Taster's Choice—a total of $24,000,000 compared to $19,000,000 in measured media advertising.

The opportunities inherent in an imaginatively-conceived public relations program (consistent of course with corporate objectives) can also be substantial. And this does not include the meaningless puffery that is too often sent out under the guise of PR. But instead, well thought out ideas such as St. Regis Paper Company's institutional tree program, a pioneer of its kind. Or Girard Bank of Philadelphia, another Lippincott & Margulies' client, that as part of an overall program commissioned author James Michener to write an original essay on "The Quality of

Life" for its annual report and illustrated the piece with James Wyeth paintings.

Although all the aforementioned elements—advertising, promotion, environment, PR and the like—contribute to it, a company's overall corporate image must also be carefully nurtured. Because if a brand's own distinctiveness is gradually eroded away by the lessening effect of advertising, then its communicative stance may have to be supplanted by a more visible link to corporate or a subcorporate entity.

One may not know or care too much about a product called XYZ but if it's XYZ from, say, DuPont, we are provided an entirely new dimension of comprehension.

At the same time, it must be recognized that blanket corporate endorsement can be a two-edged sword that might swing back to injure the corporate parent. This is why great care and professionalism are needed to structure such a strategy.

The danger signals are there

It has been our experience at Lippincott & Margulies that there is no easy way out, no one formula that can act as a guideline to continued growth or the avoidance of potential trouble. Each corporation, its products and services, its many publics and their relationship to each other, is unique and must be treated as such.

Perhaps what appears to be a lessened response to advertising will eventually go away but this appears doubtful. And as it relates to increased consumer militancy and government interference by law or leverage, those who believe it is going to get better before it gets considerably worse had better think again.

In either case—lessened impact or increased restriction—the efficacy of advertising is bound to be effected. And it is the marketer who acts now, planning well ahead, that will be spared many of the problems that will confront his compatriots in the years to come.

These then are some of the communicative considerations facing today's marketers. Important considerations! It would appear that a change is now taking place as it relates to the communications industry—a change that could seriously affect tomorrow's marketing effort—but as is often the case, in the day to day, month to month routine of work, a change very difficult to detect.

Yet in the meantime, the danger signals are there—be they right or wrong—for all to see. What can one say, except to ignore them would be folly.

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Marketing quicksand: the 70's

Tracks the corporation's changing environment and the new challenges and problems facing executives in the coming decade. Looks at research in its current effort to solve marketing problems. Examines the facts and fictions of consumer values and attitudes. Discusses the necessary strategy for the Seventies.

Sense 64
American Motors

The dramatic turnaround of an ailing giant. How improved management techniques and a full-scale corporate communications program put American Motors back in the black and repositioned the company for more effective competition in the years ahead.

Sense 62
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